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TAGS: ETRD EGEN COMECON UR

SUBJECT: COMMENT ON PRELIMINARY SOVIET FOREIGN TRADE FIGURES

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1. SUMMARY. MOST STRIKING TREND APPARENT IN PRELIMINARY

1973 SOVIET FOREIGN TRADE FIGURES IS CONTINUED STRONG EXPANSION OF SOVIET TRADE WITH THE DEVELOPED CAPITALIST WORLD. IT ACCOUNTED FOR NEARLY 27 PERCENT OF TOTAL SOVIET FOREIGN TRADE IN 1973, A FOUR PERCENT JUMP OVER ITS PROPORTIONAL WEIGHT IN 1972 WHICH WAS 22 PERCENT. ACTUAL RATE OF GROWTH OF SOVIET TRADE WITH THIS SECTOR IN 1973 WAS 40 PERCENT, UP FROM 16 PERCENT IN 1972.

CONTINUATION OF EXPANSION OF SOVIET TRADE WITH DEVELOPED COUNTRIES SEEMS PROBABLE IN VIEW OF MOMENTUM OF CAPITAL EQUIPMENT PURCHASES FROM INDUSTRIAL WEST AND HIGH-PRIORITY SOVIET PLANS FOR WESTERN ASSISTANCE TO DEVELOP ENERGY RESOURCES OVER NEXT TEN YEARS.

2. IN CONTRAST TO BOOM IN TRADE WITH DEVELOPED CAPITALIST COUNTRIES, SOVIET TRADE WITH SOCIALISTS WORLD DECLINED AS A PROPORTION OF TOTAL TRADE FROM 65 PERCENT OF TOTAL IN 1972 TO 58.5 PERCENT OF TOTAL IN 1973. AND TRADE WITH CEMA COUNTRIES, MAKING UP MOST OF SOCIALIST SECTOR, MADE A SIMILAR PROPORTIONAL DOWNTURN FROM 60 TO 54 PERCENT.

3. IN CONTRAST TO THE DEFICIT IN SOVIET FOREIGN TRADE POSTED IN 1972, TRADE FIGURES FOR 1973 SHOW SMALL SURPLUS OF 300 MILLION RUBLES.

4. OTHER INTERESTING DEVELOPMENTS WERE INCREASES IN TRADE WITH CUBA, NORTH VIETNAM AND IRAQ AS COMPARED WITH PATTERNS FOR PREVIOUS THREE YEARS, AND CONTINUED STAGNATION IN TRADE WITH CHINA WHICH, IN 1973, WAS ABOUT EQUAL TO SOVIET TRADE WITH AUSTRALIA AND LESS THAN SOVIET TRADE WITH SWEDEN OR MONGOLIA. THE TWO GERMANIES, EAST AND WEST, WERE LEAVING SOVIET TRADE PARTNERS IN SOCIALIST AND DEVELOPED CAPITALIST SECTORS. TOGETHER THEY ACCOUNTED FOR ONE-SIXTH OF SOVIET TRADE WITH ENTIRE WORLD. END SUMMARY.

5. ALTHOUGH PRELIMINARY FIGURES FOR SOVIET 1973 FOREIGN TRADE RECENTLY RELEASED IN ARTICLE BY V. KLOCHEK, CHIEF OF SOVIET FOREIGN TRADE MINISTRY'S PLANNING ADMINISTRATION (REFTEL), PROVIDE ONLY A GENERAL PICTURE, THEY POINT TO SOME INTERESTING TRENDS AND DEVELOPMENTS IN CERTAIN AREAS. WE NOTE THE FOLLOWING, BEARING IN MIND THAT MINISTRY OF FOREIGN TRADE LIMITED OFFICIAL USE

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OFTEN MAKES ADDITIONAL ADJUSTMENTS PRIOR TO RELEASE OF FINAL FIGURES IN JULY OR AUGUST, AND ALSO THAT WASHINGTON AGENCIES IN MUCH BETTER POSITION TO MAKE MORE THOROUGH ANALYSIS.

(A) CONTINUED STRONG INCREASE IN TRADE WITH DEVELOPED, CAPITALIST COUNTRIES - MOST IMPORTANT IS THE CONTINUATION OF A TREND WHICH BEGAN THREE YEARS AGO - THE EXPANSION OF SOVIET TRADE WITH THE DEVELOPED CAPITALIST AREA. IN 1973 THIS SECTOR ACCOUNTED FOR ALMOST 27 PERCENT OF ALL SOVIET FOREIGN TRADE,

IN 1972 22.6 PERCENT, AND IN 1971 21.5 PERCENT. INCREASE IN PROPORTIONAL WEIGHT FOR 1973 AS COMPARED WITH 1972 WAS FOUR PERCENT, A FACT NOTED IN KOCHEK'S ARTICLE, AND ACTUAL RATE OF GROWTH (NOT MENTIONED IN THE ARTICLE) WAS 40 PERCENT, COMPARED WITH 15.8 PERCENT IN 1972, AND SIX PERCENT IN 1971. ADMITTEDLY, RISING PRICES IN DEVELOPED WESTERN COUNTRIES AND THE INCLUSION OF OVER DOLLARS 800 MILLION WORTH OF GRAIN IN US 1973 EXPORTS WERE INFLATIONARY FACTORS IN THE HIGH 1973 GROWTH RATE, BUT THE OVERALL TREND REFLECTS THE STEADY, UPWARD GROWTH OF SOVIET PURCHASES OF CAPITAL EQUIPMENT FROM THE INDUSTRIAL WEST. IN THE EMBASSY'S OPINION, THE EXPANSION OF TRADE WITH THE DEVELOPED CAPITALIST AREA WILL CONTINUE. THE MOMENTUM GENERATED BY SUCH MASSIVE DEALS AS, FOR EXAMPLE, THE FRG CONTRACT TO DEVELOP KURSK IRON AND STEEL OUTPUT, AND NEGOTIATIONS WITH FRANCE FOR DEVELOPMENT OF ALUMINIUM PRODUCTION, WILL PICK UP AS THE SOVIETS ATTEMPT TO OBTAIN MORE WESTERN ASSISTANCE FOR ENERGY EXPLOITATION AND DEVELOPMENT OF ENERGY TRANSPORT SYSTEMS.

(B) TRADE WITH CEMA COUNTRIES DECLINES AS PROPORTION OF TOTAL - ALTHOUGH THE VALUE OF CEMA-USSR TRADE INCREASED IN REAL TERMS -- 16.9 BILLION RUBLES IN 1973 COMPARED WITH 15.5 BILLION IN 1972 -- IT ACCOUNTED FOR 54 PERCENT OF TOTAL TRADE IN 1973, DOWN FROM 60 PERCENT IN 1972. PART OF THIS DECLINE MAY REFLECT THE COMPARATIVE LACK OF INFLATION IN CEMA-COUNTRY PRICES. WHETHER IT WILL CONTINUE AND HOW SHARPLY IS PROBLEMATIC. AS EAST EUROPEAN CEMA COUNTRIES BECOME INCREASINGLY INVOLVED IN CEMA MULTILATERAL PROJECTS FOR RAW MATERIALS AND ENERGY EXTRACTION IN THE USSR, - SUCH AS UST ILIM CELLULOSE AND KIEMBAEV ASBESTOS COMPLEXES - THEIR EXPORTS OF EQUIPMENT AND IMPORTS OF RAW MATERIALS WILL INCREASE SUBSTANTIALLY.

(C) PROPORTION OF TOTAL TRADE WITH ENTIRE SOCIALIST SECTOR DOWN SLIGHTLY MORE - WHEN TRADE WITH CHINA, NORTH KOREA AND LIMITED OFFICIAL USE

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NORTH VIETNAM IS ADDED TO CEMA AREA TRADE, THE DECLINE OF THIS SECTOR AS A PROPORTION OF TOTAL TRADE CONTINUES - 58.5 PERCENT IN 1973 COMPARED WITH 65 PERCENT OF TOTAL IN 1972 AND 65.4 PERCENT IN 1971.

(D) 1973 TRADE SURPLUS NEGLIGIBLE - IN 1972 THE USSR ANNOUNCED ITS FIRST TRADE DEFICIT SINCE WORLD WAR II, - 800 MILLION RUBLES. THE 1973 REPORTED SURPLUS OF 300 MILLION IS SO SMALL THAT IT MIGHT EASILY BE CANCELLED OUT THROUGH PRICE ADJUSTMENTS OR ADDITION OF CERTAIN OMITTED FIGURES. FRG EMBASSY MOSCOW NOTES, FOR EXAMPLE, THAT SOVIET TRADE FIGURES WITH FRG DO NOT INCLUDE TRADE WITH WEST BERLIN. SINCE THIS TRADE IS TRADITIONALLY DEFICIT FOR USSR, ITS INCLUSION COULD FURTHER REDUCE THE 1973 SURPLUS.

(E) SUDDEN INCREASES - NORTH VIETNAM, CUBA, IRAQ - DURING THE THREE-YEAR PERIOD 1970 THROUGH 1972 SOVIET TRADE WITH CUBA

AND NORTH VIETNAM DECLINED STEADILY IN VALUE. IN 1973 THE TREND REVERSED FOR BOTH COUNTRIES, - CUBAN TRADE UP TO 1.1 BILLION RUBLES FROM 822 MILLION IN 1972, AND NORTH VIETNAMESE TRADE UP TO 180 MILLION FROM 117 IN 1972. TRADE WITH IRAQ MORE THAN DOUBLED IN 1973 -- RISING TO 332 MILLION RUBLES FROM 152 MILLION IN 1972. CUBA'S NEW MEMBERSHIP IN CEMA MAY HAVE ACCOUNTED FOR SOME OF ITS INCREASE, AND IN THE CASE OF NORTH VIETNAM POSTWAR RECONSTRUCTION MAY HAVE BEEN THE CAUSE. THE SUDDEN JUMP IN IRAQ TRADE MAY BE MORE EXPLAINABLE WHEN COMMODITY FIGURES ARE RELEASED IN MID-SUMMER. IT COULD REFLECT INCREASED SOVIET ATTENTION TO IRAQ IN HOPES OF IMPORTING MORE IRAQ OIL.

(F) TRADE WITH CHINA - STAGNATING DOWNWARDS - IN LINE WITH SOVIET-CHINESE POLITICAL RELATIONS, SOVIET TRADE WITH CHINA CONTINUED TO BE NEGLIGIBLE IN 1973, 201 MILLION RUBLES, DOWN FROM 210 MILLION IN 1972. VIEWED IN PERSPECTIVE, SOVIET TRADE WITH CHINA IN 1973 WAS ABOUT EQUAL TO SOVIET TRADE WITH AUSTRALIA (POPULATION 13 MILLION), 30 MILLION RUBLES LESS THAN TRADE WITH SWEDEN AND 38 MILLION RUBLES LESS THAN TRADE WITH NEARBY SOCIALIST MONGOLIA.

(G) ONE-SIXTH OF ALL TRADE WITH THE TWO GERMANIES - INTERESTINGLY, THE DIVIDED HALVES OF THE SOVIET UNION'S MAJOR FOE IN WORLD WAR II ARE NOW ITS LEADING TRADE PARTNERS IN THE SOCIALIST SECTOR AND IN THE DEVELOPED CAPITALIST SECTOR. TOGETHER, SOVIET TRADE WITH THE GDR AND THE FRG IN 1973 TOTALLED 5.175 BILLION RUBLES, OR ONE-SIXTH OF SOVIET TRADE WITH THE ENTIRE WORLD. IF TRADE WITH JAPAN IS ADDED THE FIGURE LIMITED OFFICIAL USE

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